

IOWA PUBLIC EMPLOYMENT RELATIONS BOARD

IN THE MATTER OF

Cass County, Iowa,
Public Employer,

and

PPME Local 2003, (IUPAT),
Union,FACTFINDER
RECOMMENDATIONS

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Appearances:

For the EmployerJames P. Berry, County Attorney
Charles M. Marker, County Engineer
Russell Joyce, County Supervisor
Don Volk, County SupervisorFor the UnionLacey Jilek, Field Representative
Deb Groene, DC81 Business Manager
Dick Williams, Representative
Craig Meyer, Employee Representative
John Garrett, Employee RepresentativeBACKGROUND

This matter comes before the Fact-finder pursuant to Iowa Code Chapter 20.

The Employer and the Union have engaged in negotiations and mediation, but were unable to reach a voluntary agreement on wages and insurance. The parties have a mutual agreement extending the statutory time limits for completion of bargaining. The Fact-finding hearing took place on February 29, 2004 in Cass County, Iowa. Both parties had the opportunity to present all the evidence in support of their bargaining proposals. The Union had questions concerning the details of the Employer's final offer, which were answered at the hearing. The Union also objected to the Employer's offer as representing an offer which had not been presented to the Union during negotiations. That objection was noted for the record. The Fact-finder is not authorized to resolve that dispute.

IMPASSE ITEMS

Wages:

Employer Final Offer

\$.38/hour increase ATB (average 2.75%)

Union Final Offer

4% increase ATB

Insurance:

Employer Final Offer

The Employer proposes to change the current agreement by replacing the current provision with the following:

The Employer covered by a "single" health insurance plan shall pay the first \$35.00 towards the single coverage monthly premium. The Employer shall pay all sums greater that (sic) \$35.00 towards the single coverage monthly premium. The Employee covered by a family health insurance plan shall pay the first \$224.50 toward the dependent coverage monthly premium. The Employer shall pay all sums greater than \$224.50 toward the dependent coverage monthly premium. Probationary and regular full-time employees are eligible for coverage. Single and family insurance coverage begins the first day of the month following the first month of employment, unless the employee elects not to be covered by the Employer's health insurance policy. Any employee electing not to participate shall do so in writing with the County Auditor.

The Employee (sic) retains the right to select the health insurance carrier(s) and has the right to substitute a comparable policy. Any substitution shall be approved by the Employees' bargaining unit and said approval shall not be unreasonably withheld.

The result of the Employer's proposal would be as follows:

- Increase family contribution by employees from \$172.00 to \$224.50/mo.
- Increase single contribution by employees from 0 to \$35/mo.
- Increase deductible from 100/200 to 250/500.

Union Final Offer

The Union proposes the contract remain status quo on health insurance.

FINDINGS OF LAW

The Iowa Code is silent on what a Fact-finder may consider in making settlement recommendations. Because a Fact-finder's proposal may be presented to an interest arbitrator as an alternative to consider, and arbitrators are required to consider the statutory criteria, many fact-finders have found that it is appropriate to refer to the standards provided in Iowa Code §20.22(9):

The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

Unlike the arbitrator, a Fact-finder is not limited in what he or she may recommend. The arbitrator is "restricted to the final offers on each impasse item submitted by the parties to the arbitration board or to the recommendation of the fact-finder on each impasse item." Iowa Code §20.22(9). As a Fact-finder I am free, however, to make compromise recommendations; to accept or reject any part or all of the

parties' final offers. The only limits for the Fact-finder should be reasonableness. I will consider what is most reasonable, given the criteria in Section 20.22(9).

FINDINGS OF FACT

The Union represents employees of the Secondary Roads Department. The head of that department is the Cass County Engineer. Covered by the bargaining unit are 24 employees within six job classifications. Most of the employees fall under the Equipment Operator 1 (7 employees) or Equipment Operator (9 employees) classification.

These parties have a mature bargaining relationship. They have had collective bargaining agreements for a number of years. During that time, the following group has been used for comparisons:

- Adair County
- Adams County
- Audubon County
- Guthrie County
- Montgomery County
- Pottawattamie County
- Shelby County

All of these counties are found in the immediate surrounding tier of counties. They generally have similar numbers of employees, population, property tax values, and road miles, although Pottawattamie County has a notably higher population, number of employees, road miles and property tax values. Adams County is notably smaller, has fewer road miles and the lowest number of employees in the group.

The Employer proposes to change the comparability group to exclude Pottawattamie County but include Harrison and Mills Counties. These counties are in the

next layer of counties and also have similar factors. However, because the parties have an established group of counties, I will consider this established group. The Employer has not provided any evidence that would suggest circumstances have changed since they started using the surrounding tier comparability group that no longer makes this group appropriate. I do recognize, as I am sure the parties have in the past, that Pottawattamie County is more populated and likely has more resources.

Insurance

I first consider the issue of insurance. The Union's position is status quo while the Employer proposes to change the structure of the insurance benefits, in addition to increasing the premium for both single and family coverage.

The Employer purchases a policy with a higher deductible and out-of-pocket maximum than the employees currently enjoy. It "buys down," or self-insures, the difference between what the agreement requires and what the policy provides. The Employer has taken these steps in an attempt to control the cost of health insurance for all county employees. The Employer urges the Fact-finder to consider its increased costs of providing health insurance, not the employees' increased costs.

The parts of the insurance plan the Employer proposes to change are the deductible and the single and family premium cost to the employee.

Employees in this bargaining unit pay an annual deductible of 100 single/200 family. The Employer proposes to increase that to 250 single/500 family. Both parties introduced evidence showing that Cass County employees have the lowest deductible compared to the seven other counties in the comparability group. Shelby County employees, however are reimbursed their deductible when they use PPO (preferred)

providers. The Union points out that these other counties require a smaller employee contribution toward the family premium.

The following table shows the group comparison for 2003-04 and the proposed 2004-2005 results:

County	Employee Cost: single 2003-2004	Employee Cost: family 2003-2004	Employee Cost: single 2004-2005	Employee Cost: family 2004-2005	Deductible 2003-2004	Deductible 2004-2005
Adair	0	\$130	0	unknown	750/1500	unknown
Adams	0	\$140	0	\$155	150/300	150/300
Audubon	0	0	0	0	600/1200	600/1200
Guthrie	0	0	0	0	250/500	250/500
Montgomery	0	\$129	0	\$129	150/300	150/300
Pottawattamie	\$25	\$100	\$25	\$100	250/500	250/500
Shelby	0	0	0	0	500/1500 (reimbursed when using PPO providers)	600/1600 (reimbursed when using PPO providers)
Cass	0	\$172	0 or \$35	\$172 or \$224.50	100/200	100/200 or 250/500

Ins. - EE Contribution and Deductibles

The Employer provided information showing the past ten years of premium costs and employee contributions:

Year	Family Cost	Employee Contribution: Family	Single Cost	Employee Contribution: Single
1993	458.32	110.00/40.89% of difference between single and family premium	189.33	0
1994	490.32	110.00/38.60% of difference	205.33	0
1995	494.30	110.00/38.33% of difference	207.30	0
1996	494.30	110.00/38.33% of difference	207.30	0
1997	494.30	110.00/38.33% of difference	207.30	0
1998	494.30	110.00/38.33% of difference	207.30	0
1999	494.30	110.00/38.33% of difference	207.30	0
2000	565.30	110.00/35.48% of difference	255.30	0
2001	748.30	143.00/35.93% of difference	350.30	0
2002	778.80	153.00/36.87% of difference	363.80	0
2003	899.80	172.00/37.01% of difference	435.80	0
Average percentage		37.86% of difference		0
2004 Union proposal	1033.80	172.00/30.77% of difference	474.80	0
2004 Employer proposal	1033.80	224.50/37.79% of difference between employer contribution to single and family	474.80	35/7.37% of total single premium

Ins. - Total and EE Premium Costs - 10yrs

I note that, while the parties were able to contain premium increases for five years in a row, the significant total premium increase in 2001 was accompanied by an increase to the employee's family premium contribution, and the trend has continued since.

The Employer argues that it is not unreasonable to ask employees to continue to pay 40% of the monthly family premium cost.¹ However, the employees have only once in the past eleven years paid 40% or more toward the premium. The average percentage this bargaining unit has paid toward the family premium has been 37.86%. In addition, the past collective bargaining agreements have not applied the employee's premium cost as a percentage. It has always been applied as a dollar figure. The Union calls it a "cap" to the employee's cost, while the Employer disputes the term. Even though the contract does not refer to the amount as a "cap," a specific dollar amount is listed, so the parties must bargain to increase it each year. The dispatcher's and Sheriff's Department employees do pay 40% toward the family insurance premium.

On the other hand, I do not agree that it is reasonable for there to be no increase to the employee's family premium cost. While Cass County employees do currently have the highest family premium contribution, they have the lowest out-of-pocket maximum and deductible (other than Shelby County's unique reimbursement for PPO provider option). The inference to draw from this is that the employees have been paying to keep their better plan. The Union also pointed out that employees in this unit have been accepting smaller wage settlements as well. With double-digit increases in insurance costs, it is not unreasonable to expect employees to either accept a smaller wage increase,

¹ I note that the Employer's proposal is for a specific dollar amount. I do not construe the proposal to mean the percentage would remain the same if premiums increase next year under the Employer's language, if I were to recommend its adoption. In addition, the Employer's calculation of percentage did not take into account its proposal that employees electing single coverage pay \$35 toward the premium cost.

assume more of the premium cost or to agree to cost-containment changes to the benefit structure of health insurance plans, or a combination of both. In order to make a reasonable recommendation, I need to analyze all of these options.

Adams and Montgomery Counties have the closest deductibles, at 150/300. Assuming the Cass County higher family premium is attributable to the higher deductibles, the additional \$100 of family deductible costs Cass County employees \$32 more each month than Adams County, and \$43 more each month than Montgomery County. The annual cost to Cass County employees for an annual additional \$100 of deductible costs is \$384 compared to Adams County ($\$32 \times 12$ months) or \$516 compared to Montgomery County ($\$43 \times 12$ months).

If the deductibles were increased to 250/500, but the employee's family premium stayed the same, the employees would pay an additional \$300/year for family coverage (if they met the deductible) or an additional \$150/year for single coverage (if they met the deductible).

The average percentage of the employee's contribution to the family premium for the past four years has been 37.86%. If the premium is increased to 37.86% of the difference between the Employer's contribution to single coverage and the Employer's contribution to family coverage (to \$211.64), the employee would pay an additional \$39.64/month for family coverage (\$475.68/year). Employees who elect single coverage would pay an additional \$35/month under the Employer's proposal (\$420/year). The average over the past three years of each increase to the employee's share of the family premium has been 16.33%. ($30\%[2001] + 7\%[2002] + 12\%[2003]/3 = 16.33\%$) Multiply the current family contribution of \$172 by 16.33%, and an increase to the employee's

share of the family premium would be \$28, to \$200, using the average increase over the past three years.

Employees who elect single coverage currently pay nothing toward the premium. The Employer's proposal would require those employees to pay \$35.00 toward the single premium, while the Union's proposal continues to require no employee contribution for the single premium. Employees in this bargaining unit who elect single coverage have never had to pay any amount toward the premium cost. In addition, the Union points out that only one of the seven surrounding counties, Pottawattamie County, requires any employee contribution toward the single premium (\$25.00).² The Employer's proposal would put Cass County employees who elect single coverage in a worse position than all the other counties, for the first time.

The Employer argues that employees in this unit have a higher usage rate than employees in the other counties. It focuses on its cost, rather than the employees' cost, in support of the proposed change. The Employer presented arguments showing a valid concern about the increasing cost of insurance, but it did not claim inability or hardship to pay.

Wages

I next consider wages. It is important to note that the past bargaining agreements have applied across-the-board increases in terms of a flat-dollar amount rather than a percentage, as proposed by the Union.

The Employer has proposed a \$.38/hour increase across-the-board (\$800/year), which averages 2.75%. The Union proposes a 4% increase across-the-board.

² The Adair County contract has not yet been settled for 2004-2005.

Cass County employees in the patrol operator, (or Equipment Operator II) classification are paid less than the average of the comparable units. The following table shows Cass County's rank among the comparable units:

County	2003-2004	2004-2005	Increase	Percentage
Guthrie	12.74	12.74	0	0
Adams	13.45	13.45	0	0
Audubon	13.61	13.96	.35	2.57
Adair	13.64	*	*	*
Cass	13.95	*	*	*
Shelby	14.84	15.14	.30	2.02
Montgomery	15.11	15.51	.40	2.65
Pottawattamie	16.74	17.07	.33	1.97

Wage Comparisons * still open

Cass County employees ranked fourth from highest among the comparables last year, but the Equipment Operator II wage is \$.31 less than the average wage rate of \$14.26 (including Cass County). The average wage increase this year among the comparables that have reached a settlement is 1.54%. Two of the comparable units will be taking no increase this year. Neither party provided an explanation for this, but I note Guthrie County continues to pay nothing toward its family health insurance premium. The average increase for the comparable units that have not settled for 0 is 2.3%.

Comparing the Secondary Roads Unit with other Cass County units (Union Exhibit 17), the Union points out that Cass County employees have taken a smaller wage increase in order to maintain the current level of benefits. The Secondary Roads Unit has

made insurance a priority and been willing to settle for less in order to protect the benefits.

The Union uses the cost of health insurance to compute a net spendable earnings compared with comparable bargaining units. This analysis fails to account for the benefit of the lower deductible and out-of-pocket maximum. Employees electing family coverage pay \$300 less per year toward health costs, assuming they use up their deductibles, which in 2080 hours is a little more than \$.14/hour. Adding this amount to the net spendable earnings, however, does not change Cass County's rank among the comparable units; it just brings them closer to the average.

Recommendation

Considering all the above factors, I make the following recommendations:

<u>Wages</u>	\$.38/hour ATB increase (2.75%)
<u>Insurance</u>	No change to deductible No change to contract language No change to employee contribution for single coverage Increase employee contribution for family coverage to \$200

The wage recommendation is supported by the increases and wage rates of comparable units and the increase in the family insurance premium cost. It is actually a higher percentage than the average increases this year among the comparable units, while one other unit will receive a higher dollar-figure increase. It maintains Cass County's rank among the comparable units.

The insurance recommendation is supported by past bargaining agreements and comparable information. This unit has never had to pay toward single coverage. The unit has taken smaller wage increases compared to other units of this employer in order to maintain the same level of insurance benefits. The increase in the employees'

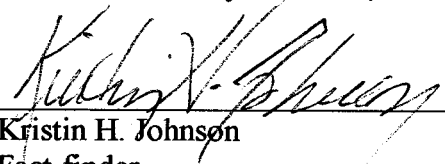
contribution to family benefits is consistent with the average increase the past three years. It is also reasonable to expect the employees in this unit to pay to keep comparatively rich insurance benefits, a benefit design that more expensive than other units of this employer and comparative employees of other employers.

There will likely come a time in the near future when this unit will not longer be able to justify maintaining a higher benefit level than comparable units. This unit may want to consider whether it continues to be willing to keep the comparatively low deductible. It appears to me that employees selecting family coverage in this unit are paying more in increased premium costs than it would cost to increase the deductible. I would suggest to the parties that it could be helpful to form a labor/management committee during the next year to jointly study the insurance issue and cost containment measures.

FACT-FINDING RECOMMENDATIONS

Wages	\$.38/hour ATB increase
Insurance	No change to deductible or other parts of benefit design No change to contract language No change to employee contribution for single coverage Increase employee contribution for family coverage to \$200

Dated this 12th day of March, 2004.



Kristin H. Johnson
Fact-finder

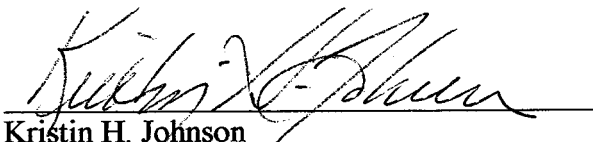
CERTIFICATE OF SERVICE

I certify that on the 12th day of March, 2004, I served the foregoing Report of Fact finder upon each of the parties to this matter by mailing and faxing a copy to them at their respective addresses/fax numbers as shown below:

Lacey Jilek
PO Box 12248
Des Moines, IA 50312
FAX 289-0558

James P. Barry
5 West Seventh Street
Atlantic, IA 50022
FAX 712-243-5736

I further certify that on the 12th day of March, 2004, I will submit this Report for filing by personally delivering it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.



Kristin H. Johnson
Fact-finder